

LOUISIANA STATE POLICE
GUIDELINES FOR THE PREPARATION OF THE SPECIAL REPORT
AND SUPPORTING QUESTIONNAIRE

Pursuant to LA. R.S. 42:IX.2715.E (Land Base), LA.R.S. 42:XIII.2715.E (Riverboat) and LA R.S. 42:VII.2715.E (Slots at the Tracks) each Casino/Licensee shall require the Independent CPA engaged to audit the financial statements to prepare a Special Report on the Casino/Licensee's compliance with their written internal controls. The CPA is required to complete the Division's Minimum Internal Control Questionnaire addressing the criteria established by the Division and to report each exception which the CPA believes does not meet this criteria. For purposes of reporting on the continuing effectiveness and adequacy of the Casino/Licensee's written internal control, the CPA shall express an opinion on whether the Casino/Licensee's assertion regarding this effectiveness is fairly stated, in all material respects, based on the control criteria.

The Casino/Licensee shall engage an independent CPA no later than 150 days after the beginning of the business year to be audited. The Casino/Licensee shall notify the Division, in writing, of the Independent CPA engaged for this purpose within the 150-day period. If the Casino/Licensee changes Independent CPA's anytime after the 150-day period, the Casino/Licensee shall notify the Division, in writing, within 10 days of the change.

Pursuant to Division Policy 97-0001, when the Casino/Licensee engages the Independent CPA to perform the observation, the Casino/Licensee shall notify the Division, in writing, of the name of the firm, the names of the auditors who may be assigned to perform the observation, the auditor's date(s) of birth, social security number(s), and certificate number(s). (This schedule may include a pool of any or all auditors who may be performing gaming engagements.)

Pursuant to Division Policy 97-0001, in addition, the independent CPA shall also notify the Division, in writing, of the name of the Casino/Licensee who has engaged their services, the name of the auditors who will be performing the audit, the auditor's date(s) of birth, social security number(s), and certificate number(s). The Independent CPA shall also notify the Division of the dates and restricted areas to be accessed by the auditors for all observations (announced and unannounced) at least five (5) working days prior to conducting the observations.

The Independent CPA shall be a Certified Public Accountant currently licensed in the State of Louisiana. The Independent CPA, as referenced in this document, may be the CPA firm or an individual.

REQUIRED PROCEDURES:

In connection with the issuance of a Special Report pursuant to Regulation 42:XIII.2715.E, LA.R.S. 42:XIII.2715.E and LA R.S. 42:VII.2715.E, the CPA is required to:

1. Compare the Casino/licensee's submitted system of internal controls, in its entirety, to the Division's Administrative Rules and Regulations to determine the Casino/Licensee's conformance to the Division's criteria, reporting any conditions that are not in compliance with the criteria approved under 2715.C.
2. Complete the Independent CPA Minimum Internal Controls Compliance Questionnaire. The Questionnaire shall be completed for inclusion of each gaming revenue center, i.e., slot department, cage, table games, and poker.

The Questionnaire is outlined to follow the Division's internal control procedures. However, the Questionnaire may require revision to reflect any Division-approved variations. All questions shall be completed unless they are not applicable. Work paper references shall be provided where requested unless the question can be answered by a note in the "W/P Ref." column. If performing an observation to answer one or more questions is impractical, inquiries may be substituted. However, please note that this does not apply to drop and count observations.

3. The Independent CPA shall perform the following procedures in conjunction with the completion of the Questionnaire:
 - a. At a minimum the Independent CPA shall complete one full set of the Questionnaires. There shall be at least one unannounced observation of each of the following: Hard Drop, Soft Drop, Hard Count and Soft Count. The AICPA's Audits of Casinos Audit and Accounting Guide states that ". . . observations of operations in the casino cage and count room should not be announced in advance . . ." For purposes of these procedures "unannounced" means that no officers, directors, or employees are given advance information regarding the dates or times of such observations. Arrangements shall be made between the licensee and the Independent CPA to ensure proper identification of the Independent CPA's while also providing for their prompt access to the count rooms.

Unannounced observations of the hard drop and hard count may be performed on the same day. Additionally, the Independent CPA shall review surveillance tapes of hard count to determine if there are differences between the results of the observed hard count and the procedures recorded on the tape. Any differences noted shall be disclosed in the Special Report issued to the Division.

The Soft Count procedures shall include the observation of the cage/vault cashier's receipt of the currency counted by the count team and tracing of these amounts to count documents.

The Hard Count procedures shall include tests of the weigh scale or coin counter for each denomination using coins that have been previously counted or pre-determined weights as appropriate.

Count room procedures for table games and slots shall be documented in the Independent CPA's work papers. The drop and count observations shall be performed separately from the Independent CPA's normal year-end audit procedures conducted on the last business day.

- b. Observe the Casino/licensee's employees as they perform their duties.
 - c. Conduct interviews with the Casino/licensee's employees who perform the procedures outlined in the Internal Control Minimum Procedures.
 - d. Perform compliance testing of various documents referred to in the Internal Control Minimum Procedures.
 - e. Clearly identify violations of compliance in the current year special report that were also reported in the prior year special report as *repeat instances of noncompliance*.
4. The CPA may rely on the work of an internal auditor, to the extent allowed by the professional standards, for the performance of the required procedures and for the completion of the Questionnaire as it relates to those procedures. However, to do so, the internal audit department must meet all the following criteria:
- a. The internal audit department reports directly to management/ownership (independent of departments subject to audit).
 - b. The individual who is directly responsible for supervising and managing the internal audit function must be a CIA or CPA.
 - c. At least 50% of the internal audit staff must possess a four-year degree.
 - d. The internal audit department operates with audit programs which, at a minimum, address the Minimum Internal Control Standards. Additionally, the department properly documents the work performed, the conclusions reached and the resolution of all exceptions.

The CPA will evaluate the internal audit department's compliance with the above criteria and document the results in their work papers. Under professional standards, the Independent CPA is still held responsible for performing procedures to obtain sufficient, competent, evidential matter to support their report.

In certain limited circumstances the internal audit department may not satisfy one or more of the specified criteria, but the independent accountant may believe the quality of the department is such that reliance should be placed on the work of the internal auditors. In such circumstances, the independent accountant shall submit a written request to the Louisiana State Police Audit Director, through the Casino/licensee, for a determination of internal audit qualifications in which the independent accountant's basis is fully supported (internal audit exemption letter). The letter must be submitted no later than 90 days following the beginning of each year under audit. The Louisiana State Police Audit Director will evaluate the request and issue a written determination. For purposes of these guidelines, the independent accountant should not place any reliance on an internal audit department that doesn't meet the established criteria until such time as a written determination has been received.

If the independent accountant is engaged to perform both the internal audit procedures required by the Minimum Internal Control Standards and the procedures required by the criteria, procedures performed to satisfy the requirements of one engagement may not also be used to satisfy the requirements of the other engagement.

Finally, in some instances another independent accountant may perform the licensee's internal audit function. The previous internal audit requirements apply only to in-house internal auditors and not to another independent accountant.

The above procedures are the minimum procedures that shall be performed. Other procedures may be required by written notice from the Supervisor. The Casino/licensee shall engage the Independent CPA to perform such procedures and include the results in the CPA's Special Report. These guidelines are not intended to limit the Independent CPA to the performance of only the above-specified procedures. The Independent CPA shall make a determination as to the sufficiency of these guidelines in obtaining reasonable assurance of the continuing adequacy and effectiveness of the Casino/licensee's internal controls. Results of any additional procedures performed (i.e., expanded document testing), shall be included in the independent CPA's Special Report.

The Independent CPA must perform the procedures necessary to complete the Questionnaire each year and must not rely on any prior period findings to fulfill this requirement. The Division reserves the right to require additional Questionnaires to be completed at the Division's discretion. The Casino/licensee shall communicate the terms of the engagement to the Independent CPA for any additional requirements imposed by the Division. Further, the Independent CPA is obligated to detect whether the Division has imposed additional requirements on their client.

REPORT FORMAT:

The Special Report required by Regulation 42:IX.2715.E, LA.R.S. 42:XIII.2715.E and LA R.S. 42:VII.2715.E, shall identify the procedures performed (i.e., compliance tests of both the written system of internal controls and the procedures in effect), specify the revenue centers tested, and describe all (without regard to materiality) instances of procedural noncompliance with the Internal Control Minimum Procedures or approved variations. Reportable conditions (as defined in Statement on Auditing Standards No. 60, "Communication of Internal Control Structure Related Matters Noted in an Audit") in the gaming, internal audit, and accounting areas that are not addressed by the Internal Control Procedures shall be disclosed in a Management Letter to the Casino/licensee and not in the Special Report. Reportable conditions not addressed by the Internal Control Minimum Procedures, but addressed in a Management Letter, shall be disclosed to the Division separately from the Special Report.

LICENSEE'S REPRESENTATIONS:

Using the guidelines set forth under Statements on Standards for Attestation Engagements, the independent CPA should obtain written representation from management.

REPORT SUBMISSION REQUIREMENTS:

One copy of the Independent CPA's Special Report and the Casino/licensee's statement addressing areas of noted noncompliance shall be submitted to the Division no later than 150 days after the end of the Casino/licensee's fiscal year pursuant to Regulation 42:IX.2715.E, LA.R.S. 42:XIII.2715.E and LA R.S. 42:VII.2715.E. An additional copy of the Independent CPA's Special Report and the Casino/licensee's statement addressing areas of noted noncompliance shall be submitted to the applicable Division field office no later than 150 days after the end of the Casino/licensee's fiscal year. This Special Report shall be provided in addition to any reports required pursuant to Regulation 42:IX.2711.F, LA.R.S. 42:XIII.2711.F and LA R.S. 42:VII.2711.F.

Additionally, the Independent CPA shall maintain the work papers supporting the report within the State of Louisiana for a minimum of five years. The Division may request access to these work papers, through the Casino/licensee, pursuant to Regulation 42:IX.2711.J, LA.R.S. 42:XIII.2711.J and LA R.S. 42:VII.2711.F.

The Independent CPA's Special Report shall follow the guidelines set forth in the AICPA's Statements on Standards for Attestation Engagements "Reporting on an Entity's Internal Control Over Financial Reporting".

If there are any questions regarding the above guidelines, please contact the Division's Gaming

Audit Unit at (225) 922-2534.